

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 SAJ-01 OMB-01 CIAE-00 COME-00 EB-11

INR-10 LAB-06 NSAE-00 RSC-01 SIL-01 TRSE-00 DODE-00

PM-07 H-03 L-03 NSC-07 PA-04 PRS-01 SP-03 SS-20

USIA-15 DRC-01 /121 W

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R 211540Z JUN 74

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 0161

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E.O. 11652: N/A

TAGS: EGEN, FR

SUBJECT: VIEWS OF FRENCH PATRONAT ON GOVERNMENT'S
ECONOMIC AND SOCIAL PROGRAMS

1. IN A CONVERSATION WITH ECON/COM MIN, FRANCOIS CEYRAC, PRESIDENT OF THE FRENCH PATRONAT, MADE NO ATTEMPT TO CONCEAL THE LACK OF ENTHUSIASM WHICH THE PATRONAT FEELS FOR THE GISCARD GOVERNMENT'S ECONOMIC AND SOCIAL PROGRAMS. HOWEVER, HE PREFACED HIS REMARKS BY SAYING THAT SO FAR AS THE POLITICS OF THE SITUATION WERE CONCERNED, HE WANTED TO MAKE IT CLEAR THAT HE INFINITELY PREFERRED HAVING DIFFICULT DISCUSSIONS WITH PRIME MINISTER CHIRAC THAN EASY DISCUSSIONS WITH GASTON DEFERRE (WHO MANY PEOPLE BELIEVE WOULD HAVE BEEN MITTERAND'S PRIME MINISTER).

2. CEYRAC SAID PATRONAT SUPPORTED THE OBJECTIVE OF THE GOVERNMENT'S ECONOMIC PROGRAM (I.E., BRINGING INFLATION UNDER CONTROL) BUT WAS NOT HAPPY ABOUT THE MEANS CHOSEN TO PURSUE THIS OBJECTIVE, MORE SPECIFICALLY, THE DECISION TO PUT THE GREATER PART OF THE BURDEN ON BUSINESS. HE CITED THE FACT THAT BUSINESS FIRMS WERE REQUIRED TO BEAR

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THE LION'S SHARE OF THE TAX INCREASES (7 BILLION FRANCS

AS COMPARED TO 3 BILLION FRANCS FOR INDIVIDUALS). HE SAID THIS MEASURE WAS NOT IN ITSELF TOO SERIOUS AND SAID IT HAD BEEN ADOPTED PRIMARILY FOR "DEMAGOGIC REASONS." MORE IMPORTANT WAS THE ATTEMPT TO FIGHT INFLATION BY RESTRICTING BUSINESS INVESTMENT THROUGH THE CORPORATE TAX INCREASE, CREDIT RESTRICTIONS, AND THE TEMPORARY TIGHTENING UP OF THE DEPRECIATION ALLOWANCE. HE SAID IT WAS WRONG TO PENALIZE INVESTMENT. IN THE FIRST PLACE, INVESTMENT WAS NOT INFLATIONARY NOR IMPORT-PRODUCING. (HE SAID THE LARGE VOLUME OF CAPITAL GOODS IMPORTED DURING MAY WHICH THE GOVERNMENT HAD POINTED TO AS JUSTIFICATION FOR ITS MEASURES FOR LIMITING INVESTMENT WAS AN EXCEPTIONAL CASE.) MOREOVER, A CONTINUED HIGH RATE OF INVESTMENT WAS NECESSARY TO ASSURE THE MODERNIZATION OF THE FRENCH INDUSTRIAL PLANT WHICH IN THIS RESPECT STILL LAGGED BEHIND THE GERMANS.

3. CEYRAC SAID THE OTHER OBJECTION THE PATRONAT HAD TO THE ECONOMIC PROGRAM WAS THAT THE MEASURES TO PROMOTE INCREASED EXPORTS WERE INADEQUATE. HE SAID WHAT WAS NEEDED WAS A COMPREHENSIVE EXPORT PROMOTION PROGRAM.

4. CEYRAC ALSO CRITICIZED THE PROPOSED ANTI-INFLATION TAX WHICH THE GOVERNMENT WAS EXPERIMENTING WITH (PARA A(6) PARIS 14374), THE DETAILS OF WHICH ARE STILL NOT KNOWN. HE SAID THIS WAS TYPICAL OF THE GIMMICKS WHICH THE TECHNOCRATS IN THE FINANCE MINISTRY WERE SO FOND OF EXPERIMENTING WITH AND WHICH BETRAYED COMPLETE LACK OF UNDERSTANDING OF THE REALITIES OF THE BUSINESS WORLD.

5. CEYRAC WAS ALSO UNHAPPY ABOUT SOME ELEMENTS OF THE GOVERNMENT'S SOCIAL PROGRAM (REPORTED BY SEPTTEL),

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PARTICULARLY THE PROPOSALS FOR REFORMING CORPORATE STRUCTURE IN ORDER TO GIVE WORKERS AN INCREASED VOICE IN MANAGEMENT. (THE GOVERNMENT PLANS TO SUBMIT THESE PROPOSALS TO THE PARLIAMENT IN THE SPRING OF 1975.) HE SAID HE HAD NO OBJECTION TO THE INTRODUCTION OF NEW TYPES OF CORPORATE STRUCTURE INTO THE BUSINESS SCENE, PROVIDED THAT THEY WERE REQUIRED TO COMPETE FREELY WITH EXISTING STRUCTURES. HOWEVER, IT WAS THE GOVERNMENT'S PLAN TO GIVE THE NEW STRUCTURE A COMPETITIVE ADVANTAGE BY GRANTING FIRMS WHICH ADOPTED THIS STRUCTURE TAX CREDITS, AND THE PATRONAT WAS OPPOSED TO THIS.

6. CEYRAC DID NOT ARGUE WITH THE GOVERNMENT'S OBJECTIVE OF IMPROVING THE LOT OF LESS FAVORED SECTORS OF FRENCH SOCIETY. ON THE CONTRARY, HE BELIEVED THAT SOME SUCH PROGRAM WAS ESSENTIAL IN ORDER TO PREVENT SERIOUS SOCIAL CONFLICT. ON THE SUBJECT OF SOCIAL CONFLICT, HE SAID HE DID NOT EXPECT LABOR TROUBLE BEFORE THE SUMMER VACATIONS. IF THERE WAS TROUBLE, IT WOULD NOT COME UNTIL THE FALL, PROBABLY IN OCTOBER. IT COULD BE ARGUED THAT EVEN THE MOST SUCCESSFUL END-INFLATION PROGRAM COULD NOT SHOW LIMITED OFFICIAL USE

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REAL RESULTS BEFORE FALL AND THAT WITH VACATIONS BEHIND THEM AND PRICES CONTINUING TO INCREASE RAPIDLY, THE WORKERS WOULD BE READY TO GO OUT ON STRIKE IN THE FALL. BUT HE DID NOT THINK THAT THE SCENARIO WOULD NECESSARILY UNFOLD IN THIS WAY. HE SAID THE GISCARD GOVERNMENT HAD MOVED VERY RAPIDLY TO GET THE JUMP ON THE UNIONS BY GETTING OUT ITS SOCIAL PROGRAM. IF IT TOOK ADVANTAGE OF THE TWO OR THREE MONTHS WHICH IT HAD AHEAD OF IT, IT COULD VERY WELL CREATE A SITUATION IN WHICH THE UNIONS WOULD CONSIDER IT WISER NOT TO OPT FOR DIRECT ACTION. HE HIMSELF WAS MODERATELY OPTIMISTIC THAT THERE WOULD NOT BE SERIOUS TROUBLE IN THE FALL.

7. THERE WAS LITTLE TIME IN THE CONVERSATION TO DISCUSS
INTERNATIONAL PROBLEMS. SPEAKING OF THE MTN, CEYRAC
SAID THAT ALTHOUGH HE THOUGHT THERE WAS LESS NEED FOR
TRADE NEGOTIATIONS NOW THAN A YEAR AGO, THE PATRONAT WAS
NOT HOSTILE TO THE IDEA.
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